



**U.S. Department of the Interior
Office Inspector General**

SURVEY REPORT

**SELECTED ADMINISTRATIVE FUNCTIONS,
ST. CROIX INTERIM HOSPITAL,
GOVERNMENT OF THE VIRGIN ISLANDS**

**REPORT NO. 95-I-52
OCTOBER 1994**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Headquarters Audits
1550 Wilson Boulevard
Suite 401
Arlington, VA 22209

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LETTER SURVEY REPORT

Honorable Alexander A. Farrelly
Governor of the Virgin Islands
No. 21 Kongens Gade
Charlotte Amalie, Virgin Islands 00802

Dear Governor Farrelly:

Subject: Final Survey Report on Selected Administrative Functions, St. Croix Interim Hospital, Government of the Virgin Islands (No. 95-1-52)

INTRODUCTION

This report presents the results of our limited review of selected administrative functions of the St. Croix Interim Hospital. The objective of the survey was to determine whether the Interim Hospital was adequately staffed with qualified personnel, used adequate procurement practices, and adequately controlled equipment and medical supplies.

BACKGROUND

In February 1989, the Governor appointed a 9-member St. Croix Hospital Facilities Board of Trustees. Title 19, Section 240(e), of the Virgin Islands Code gives the Board the overall responsibility to "do any and all things necessary to carry out the operation" of the Interim Hospital. This includes the establishment of rules and regulations, the hiring of sufficient medical and administrative staff, and the oversight of funds made available to the Hospital.

The Interim Hospital, the only hospital on the island of St. Croix, serves approximately 60,000 residents. The original St. Croix Community Hospital, which was built for an occupancy of 250 patients, was virtually destroyed by Hurricane Hugo on September 17, 1989. Reconstruction of the hospital facility is nearing completion, and the Hospital is expected to be dedicated on October 23, 1994. As of June 1994, the Hospital was still located in a temporary facility consisting of modular building units, which is known as the St. Croix Interim Hospital. The Interim Hospital has a capacity of 85 inpatient beds.

The costs of operating the Interim Hospital for fiscal years 1992 and 1993 totaled about \$25.1 million and \$27.4 million, respectively. These costs were funded by receipts from medical service charges and allotments from the General Fund of the Government of the Virgin Islands. At the time of the survey, the Interim Hospital had 609 employees: 584 hired through the Government's personnel system and 25 hired through professional service contracts.

SCOPE OF SURVEY

The scope of the review included personnel management, procurement, and property management activities at the Interim Hospital during fiscal years 1992 and 1993. However, we limited the extent of testing because the Interim Hospital's imminent return to its permanent facilities may result in the correction of many of these conditions. The survey was performed at the Interim Hospital and at the Government's Division of Personnel, Department of Property and Procurement, and Department of Finance.

Our review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

As part of our review, we evaluated the Interim Hospital's system of internal controls for hiring and managing staff, procuring goods and services, and controlling equipment and medical supplies. Our review disclosed internal control weaknesses, which are discussed in the Results of Survey section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

PRIOR COVERAGE

In September 1990, the Office of Inspector General issued the report "Survey of Billing and Collection Functions of the St. Croix Community Hospital, Government of the Virgin Islands" (No. 90-103). The report concluded that the Hospital did not (1) ensure that bills were accurate and were issued timely, (2) enforce collection of overdue accounts, and (3) maintain adequate controls over cash collections. A major factor in the Hospital's inability to effectively carry out its billing and collection functions was the lack of adequate automated data processing support. Based on the Hospital's plan of corrective action, submitted in response to the final report, we considered the audit recommendations resolved and implemented.

RESULTS OF SURVEY

The St. Croix Interim Hospital was not able to hire adequate numbers of medical staff, procure supplies and equipment in a timely manner, or maintain adequate control over equipment and medical supplies. Title 42, Part 482, of the Code of Federal Regulations contains the basic standards for administration, staffing, medical and support services, and physical plant required for hospitals certified to participate in the Medicare program. The primary reasons for the Interim Hospital's inability to recruit adequate staff and obtain necessary supplies and equipment were the lack of timeliness of the personnel recruitment process and delays in the procurement process, respectively. The inadequate control over equipment and medical supplies was caused, at least in part, by the space limitations of the Interim Hospital's temporary modular facilities. Also, because the Hospital was unable to hire staff to provide certain types of medical care, during fiscal years 1992 and 1993, more than 400 patients were transferred to hospitals in Puerto Rico and the United States, at a total cost of about \$3.6 million.

Personnel Management

The Interim Hospital was not able to hire sufficient numbers of qualified medical personnel, particularly nurses. In October 1992, a survey team contracted by the Interim Hospital performed a mock certification survey of the Interim Hospital using Health Care Financing Administration certification criteria. The mock survey team found that nursing coverage was often limited in the delivery, pediatric, postpartum, nursery, medical, surgical, emergency, **hemodialysis**, and psychiatric units. In some cases no registered nurses were present, while in other cases the number of nurses on duty was less than that required for the number of patients.

The Interim Hospital's annual report for fiscal year 1993 stated that during that time period, the Interim Hospital hired 29 new employees but lost 32 employees, many of them nurses. Although the Interim Hospital had established a goal of hiring 48 additional nursing staff during fiscal year 1994, it had been able to hire only 16 new nurses by August 1994.

To test the degree to which delays in the processing of personnel actions hampered the ability of the Interim Hospital to hire needed staff, we traced a sample of 15 recruitment actions through the system. Although sufficient information was not maintained to enable us to trace the documents through every step in the recruitment process, we found that on the average, it took almost 2 months from the date the Interim Hospital processed the Notice of Personnel Action to hire a new employee to the date the approved document was returned by the Personnel Department to the Interim Hospital. Processing times ranged from 10 days to more than 3 months.

Because it did not have medical staff with the necessary expertise to offer certain types of sophisticated medical services, the Interim Hospital incurred additional operating costs related to transferring patients off-island for such treatment. For example, during fiscal years 1992 and 1993, the Interim Hospital transferred more than 400 patients to hospitals in Puerto Rico and the United States, at a total cost of about \$3.6 million. The transfers included 42 newborn infants requiring specialized neonatal treatment.

Although Title 24, Sections 421, of the Virgin Islands Code defines the types of documents that must be maintained in the personnel files of all Government employees, the Interim Hospital did not have formal written requirements as to what types of specialized documents should also be maintained for its health care employees. As a result personnel files maintained by the Interim Hospital's Personnel Department did not always contain documents such as employee performance evaluations, annual health examination reports, educational certificates and licenses, and evidence that background information on potential employees was checked prior to employment.

Based on our review of 25 employee personnel files, we found that the files did not contain (1) performance evaluations for six employees, (2) health examination certificates for four employees, (3) educational certificates for two employees, (4) evidence of background checks for three employees, and (5) evidence of a current medical license for one physician. Additionally, one employee's personnel file was completely empty. In its October 1992 mock survey of Interim Hospital operations, the survey team noted that the completion of performance evaluations and health examinations of all nursing staff were not documented.

We also found that employee personnel files were not adequately safeguarded by the Personnel Department in that they were kept in cardboard boxes on tables in an office accessible to unauthorized personnel.

Procurement

The Department of Property and Procurement is responsible for establishing an economic and efficient centralized system for the procurement and supply of goods and services needed by the Government's operating departments and agencies. Within this centralized system, the Interim Hospital established internal procedures for processing requisitions. However, the requisition processes within the Interim Hospital and the Government's centralized procurement system took so long that the Interim Hospital was not assured of receiving needed supplies, equipment, and services within a reasonable time frame.

To test the degree to which delays in the processing of requisitions may have contributed to the inability of the Interim Hospital to obtain needed supplies in a timely manner, we traced a sample of 25 requisitions through the system. We found that on the average, it took 3 months from the date a requisition was prepared to the

date the items were received by the Interim Hospital, with processing times through the entire process ranging from 6 days to over 7 months.

Because requisitions were not processed timely, the Interim Hospital did not always have an adequate supply of critical medical supplies and had to purchase medications from local pharmacies at a higher cost.

We also found that during fiscal years 1992 and 1993, the Interim Hospital lost about \$10,400 in discounts offered on nine invoices because the invoices were not paid within the 30-day discount periods offered by the vendors.

The Interim Hospital had awarded three consecutive contracts at a total cost of \$1.2 million for the development and implementation of an ongoing hospital equipment preventive maintenance program. However, because the Interim Hospital had not hired or trained a permanent Director of Maintenance and other maintenance personnel to continue the preventive maintenance program established by the contractor, it has not been able to continue the same level of preventive maintenance provided by the contractor.

Property Management

The Department of Property and Procurement is responsible for controlling property owned by the Government. Through its Property Manual, the Department delegated some property control responsibilities to the Government's operating departments and agencies, including the Interim Hospital. However, because of limited space in its interim facilities, the Interim Hospital was not able to adequately control its medical supplies and equipment. For example:

- The Acting Chief Pharmacist told us that expired noncontrolled drugs had not been exchanged or disposed of since 1990 but that she was inventorying the expired drugs and identifying the vendors so that she could request that the expired items be exchanged for fresh supplies.

No inventory records existed for medical equipment and furniture that were being stored in a warehouse until the Interim Hospital returns to its permanent facilities. These items were stored because they could not be used in the Interim Hospital. Additionally, Government property numbers had not been assigned for 257 items located in the Interim Hospital, which hampers the inventorying process. Specifically, we were unable to identify 13 of 15 items, valued at about \$147,000, because Government property numbers had not been assigned to them.

Recommendations

We recommend that the Governor of the Virgin Islands:

1. Ensure that the St. Croix Hospital is sufficiently staffed to the extent needed to meet the minimum standards of the Health Care Financing Administration necessary to maintain certification for participation in the Medicare and Medicaid programs.

2. Ensure that the St. Croix Hospital, the Office of Management and Budget, and the Division of Personnel jointly review the procedures for processing personnel actions, particularly recruitment actions, to identify areas where the process can be streamlined to allow the Hospital to fill approved positions within the shortest time frame possible.

3. Ensure that the St. Croix Hospital implements **formal** policies and procedures to ensure that all employee files are adequately safeguarded and contain the types of documents required by Title 24, Section 421, of the Virgin Islands Code and the additional documentation required by the Health Care Financing Administration.

4. Ensure that the St. Croix Hospital, the Department of Property and Procurement, and the Department of Finance jointly review the procedures for processing purchase orders and vendor payments to identify areas where the process can be streamlined to allow the Hospital to acquire goods and services and pay vendor invoices within the shortest time frame possible.

5. Ensure that the St. Croix Community Hospital, upon moving into the refurbished facility, completely updates its equipment inventory records by conducting a physical inventory of all medical, office, and other equipment; affixing Government property tags to all equipment without property numbers; submitting the required survey reports to the Department of Property and Procurement for equipment that is unusable or otherwise requires disposal; and updating the property records accordingly.

6. Ensure that the St. Croix Community Hospital, upon moving into the refurbished facility, completely updates its perpetual inventory records for pharmaceuticals and other supplies by conducting a physical inventory of such supplies; taking action to either exchange or dispose of expired drugs; and updating the perpetual inventory records accordingly.

Governor of the Virgin Islands Response

The October 7, 1994, response (Appendix 2) to the draft report from the Governor of the Virgin Islands concurred with the six recommendations.

Recommendation 1. The response stated that the St. Croix Hospital would be staffed to meet the minimum standards needed to maintain certification to the extent allowed by fiscal constraints.

Recommendation 2. The response stated that the Chief Executive Officer of the St. Croix Hospital had initiated contacts with the Office of Management and Budget and the Division of Personnel to discuss streamlining the processing of personnel recruitment actions.

Recommendation 3. The response stated that the St. Croix Hospital has implemented an Employee Health Service and a Performance Improvement Committee to ensure that documents related to employee annual physical examinations, performance evaluations, educational certificates, and medical licenses are monitored and kept up to date.

Recommendation 4. The response stated that Act No. 6012 has authorized the St. Croix Hospital to perform its own procurement and that the Hospital plans to establish its own procurement department by January 1995.

Recommendation 5. The response stated that staff of the St. Croix Hospital were conducting an inventory of all medical, office, and other equipment and updating equipment records in preparation for moving back into the refurbished permanent facilities. The response further stated that unusable or otherwise excess equipment was being disposed of through the Department of Property and Procurement in accordance with established procedures.

Recommendation 6. The response stated that a complete inventory of medical supplies will be performed when the Hospital moves back into the refurbished permanent facilities. Further, the response stated that the St. Croix Hospital is investigating the possibility of using a commercial service to process the return of outdated medical supplies to vendors.

Office of Inspector General Comments

The Governor's response was sufficient for us to consider Recommendations 1, 2, 3, and 5 resolved and implemented and Recommendations 4 and 6 resolved but not implemented. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary - Policy, Management and Budget for tracking of implementation, and no further response to this office is required (see Appendix 3).

The Inspector General Act, Public Law 95-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

Sincerely,

A handwritten signature in black ink that reads "Marvin Pierce". The signature is written in a cursive style with a large, looped "M" and a long, sweeping "P".

Marvin Pierce

Acting Assistant Inspector General
for Audits

CLASSIFICATION OF MONETARY AMOUNTS

<u>Finding</u>	<u>Funds To Be Put To Better Use*</u>
Procurement Practices	\$10,400

* Amount represents local funds.



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
809-774-0001

October 7, 1994

Mr. Marvin **Pierce**
Acting Assistant Inspector General
for Audits
U.S. Department of the Interior
Office of the Inspector General,
Washington, DC 20240

Dear Mr. **Pierce**:

The Draft Survey **Report** on "Selected Administrative Functions, St. Croix Interim Hospital, Government of the **Virgin Islands**," (V-IN-VIS-005-93 -B) has **been reviewed**.

The staff of the St. **Croix** Interim Hospital under **the** leadership of the CEO, **Mr. George H. McCoy**, continues to **work** diligently on improvements of **the** Hospital. I am **happy** to report that recently the hospital received provisional certification effective **May 16, 1994**.

Notwithstanding the above, we concur with your recommendations and **will** implement same **so** as to improve the areas addressed.

Recommendation I

We **will** continue to staff the St. **Croix** Interim Hospital to meet minimum standards **based** on **fiscal** constraints.

Recommendation II

Mr. McCoy has initiated the process to **begin** discussions with Office of Management and Budget and the **Division** of Personnel on the **subject** of streamlining the processing of personnel recruitment actions (see attached letters).

Additionally, Mr. McCoy has informed me on the following:

Mr. Marvin Pierce
October 7, 1994

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Recommendation III

The St. Croix Hospital is required by the Joint Commission on Accreditation of **Healthcare** Organizations to maintain comprehensive personnel files. An Employee Health Service has been established so that **all** employees receive annual physicals. Performance evaluations, educational certificates and current medical licenses are being overseen and monitored by a Performance Improvement Committee chaired by the Chief Executive Officer. Monthly reports on **all of the issues** mentioned **are** scrutinized closely and where necessary, appropriate action is being taken.

-Recommendation IV

Reference **is** made to Act 6012 (**Bill** 20-0366) which authorized the hospital to do its own purchasing. The Hospital **plans** to have such a department established on or about January 1, 1995. **It will** in addition have the authority to write checks up to \$5,000,000.

Recommendation V

Staff are currently and physically conducting an inventory of all **medical, office** and other equipment in **order** to update the equipment inventory records **of this hospital**. **All equipment purchased** and move into the refurbishment hospital will be inventoried and Government Property Tags will be affixed to all equipment with property numbers.

Additionally, equipment that **is** unusable **or** otherwise excess to the needs of this hospital are being surveyed and appropriate Reports of Survey prepared and forwarded to the Department of Property and Procurement for disposition/disposal. Equipment inventory is being updated/adjusted accordingly.

Recommendation VI

The annual inventory generally scheduled for October **1st** of the new **Fiscal Year** has been postponed in order **to combine the** moving of the Department into the new facility with updating of the perpetual inventory. Upon the move of **the** supplies stored in the warehouse **at Castle Coakley** to the new facility, a complete inventory will be done and inventory records updated to reflect actual amount on hand. **All** expired drugs **will** be disposed of at that time, and a new log created to record expiration dates for **Fy'95** items, which will incorporate the new mechanism for return

Mr. Marvin **Pierce**
October 7, 1994

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of items for exchange to the Vendor. A new service "RX RETURNS INC. " is being investigated to facilitate **return** of expired items. This service will accept expired Items from all vendors and process credit to indicated accounts. If **proposals is acceptable, this service can** streamline the return **process, since** only one package will have to be prepared on a scheduled basis instead of the numerous vendor sources we **now** use.

In closing, it is my **anticipation that this** response and supporting documentation will serve to satisfy this Draft Survey
R e p o r t .

Cordially,


Alexander A. Farrelly
Governor

cc: Arnold van **Beverhoudt**, Regional Office Manager

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1, 2, 3, and 5	Implemented.	No further action is required.
4 and 6	Resolved; not implemented.	No further response to this office is required. The recommendations will be referred to the Assistant Secretary - Policy, Management and Budget for tracking of implementation.

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